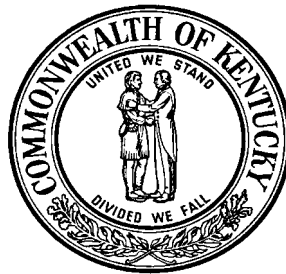


**REPORT OF THE AUDIT OF THE
HARLAN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLLEN
Auditor of Public Accounts

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Joseph A. Grieshop, Harlan County Judge/Executive
Honorable Steve Duff, Harlan County Sheriff
Members of the Harlan County Fiscal Court

The enclosed report prepared by Berger & Company CPA, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Harlan County, Kentucky, for the year ended December 31, 2002.

We engaged Berger & Company CPA, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Company CPA, PSC evaluated the Harlan County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE
HARLAN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HARLAN COUNTY SHERIFF

**For The Year Ended
December 31, 2002**

Berger & Company CPA, PSC, has completed the Harlan County Sheriff's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$141,422 from the prior calendar year, resulting in excess fees of \$368,264 as of December 31, 2002. Revenues decreased by \$157,002 from the prior year and disbursements decreased by \$15,580.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky
Honorable Ernie Fletcher, Governor
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Members of the Harlan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Harlan County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the Harlan County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Harlan County Sheriff for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Joseph A. Grieshop, Harlan County Judge/Executive
Honorable Steve Duff, Harlan County Sheriff
Members of the Harlan County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2003, on our consideration of the Harlan County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Berger & Company CPA PSC". The signature is written in a cursive, flowing style.

Berger & Company CPA, PSC

Audit fieldwork completed -
September 18, 2003

HARLAN COUNTY
STEVE DUFF, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

Federal Grants

Corp of Engineers	\$ 4,632	
HDTA	3,429	
Body Armor Program	<u>7,217</u>	\$ 15,278

State Fees For Services:

Finance and Administration Cabinet	\$ 62,307	
Cabinet For Human Resources	<u>3,496</u>	65,803

Circuit Court Clerk:

Sheriff Security Service		6,736
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Fiscal Court

71,153

County Clerk - Delinquent Taxes

13,363

Commission On Taxes Collected

\$ 129,191

Commission On Tangible Property Tax-State

6,501 135,692

Fees Collected For Services:

Auto Inspections	\$ 11,690	
Accident and Police Reports	8	
Serving Papers	42,449	
Carrying Concealed Deadly Weapon Permits	<u>8,310</u>	62,457

Other:

Advertising Cost	\$ 4,863	
Conveying Prisoners	3,864	
Sheriff Add-on Fees	48,965	
Mileage Reimbursement	9,239	
Refund on Vehicle Fuel	3,351	
Miscellaneous	<u>798</u>	71,080

Interest Earned

7,249

Total Receipts

\$ 448,811

The accompanying notes are an integral part of this financial statement.

HARLAN COUNTY
STEVE DUFF, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2002
(Continued)

Disbursements

Operating Disbursements:

Payments to State -

Carrying Concealed Deadly Weapon Permits	\$	4,985
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Materials and Supplies-

Office Materials and Supplies		1,131
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Uniforms		208
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Other Charges-

Testing		181
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Paging Service		1,008
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Serving Papers		15
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Maintenance and Repairs		1,400
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Bank Charges		163
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Miscellaneous		303
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Total Disbursements	\$	9,394
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Net Receipts	\$	439,417
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Less: Statutory Maximum		71,153
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Excess Fees Due County for 2002	\$	368,264
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Payments to County Treasurer - Monthly During the Year		368,264
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Balance Due at Completion of Audit	\$	0
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The accompanying notes are an integral part of this financial statement.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Fee Pooling

The Harlan County Fiscal Court approved a fee pooling system for the Harlan County Sheriff. Under the fee pooling system, revenues net of direct expenses of the County Sheriff's Office are paid to the Harlan County Treasurer in the subsequent month. Therefore, the County pays almost all of the expenses of the Harlan County Sheriff's Office.

D. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Drug Account

The Sheriff maintained a drug account for calendar year 2002. The beginning balance was \$76,898. Receipts during the year were \$24,534, including \$1,105 in interest income. Disbursements during the year totaled \$30,903, resulting in an ending cash balance at December 31, 2002 of \$70,529, which is not available as excess fees.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Joseph A. Grieshop, Harlan County Judge/Executive
Honorable Steve Duff, Harlan County Sheriff
Members of the Harlan County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Harlan County Sheriff for the year ended December 31, 2002, and have issued our report thereon dated September 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Harlan County Sheriff's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harlan County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Berger & Company CPA PSC".

Berger & Company CPA, PSC

Audit fieldwork completed -
September 18, 2003

